

HOUSE BILL No. 6325

November 4, 2004, Introduced by Rep. Woronchak and referred to the Committee on Senior Health, Security and Retirement.

A bill to amend 1980 PA 300, entitled
"The public school employees retirement act of 1979,"
by amending section 104a (MCL 38.1404a), as amended by 1998 PA
213.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 104a. (1) After the end of each state fiscal year, the
2 department shall determine the rate of investment return earned
3 on retirement system assets during the fiscal year, based upon
4 methods established by the retirement board.

5 (2) At the end of each state fiscal year, the retirement
6 system's actuary shall determine the present value of retirement
7 allowances to be paid after the end of the fiscal year to
8 retirants and retirement allowance beneficiaries in receipt of
9 retirement allowances at the end of the fiscal period. The
10 assumed interest rate used in the determination shall be 8% per

1 year, compounded annually.

2 (3) The distribution income at the end of each state fiscal
3 year shall be equal to the product of the present value of
4 retirement allowances determined in subsection (2) at the end of
5 the previous fiscal year times the positive excess, if any, of
6 the rate of investment return determined in subsection (1)
7 exceeding 8%. The distribution income calculated pursuant to
8 this subsection at the end of the fiscal years 1984-85 and
9 1985-86 shall be reduced by the cost of prior postretirement
10 adjustments paid from the appropriated credit for excess interest
11 earnings on retired life assets during the fiscal year pursuant
12 to sections 101, 102, 103, and 104.

13 (4) After the end of each state fiscal year, each retirant
14 and retirement allowance beneficiary in receipt of a retirement
15 allowance at the end of the fiscal year, and whose effective date
16 of retirement allowance preceded the beginning of that fiscal
17 year, shall be credited with 1 distribution unit for each full
18 year between the effective date of retirement and the end of the
19 fiscal year and 1 distribution unit for each full year of service
20 credit in force on the effective date of retirement.

21 Distribution units shall not accumulate from 1 year to the next
22 year.

23 (5) The distribution amount for an individual retirant or
24 retirement allowance beneficiary shall be equal to the product of
25 the distribution income determined in subsection (3) times the
26 individual's number of distribution units determined in
27 subsection (4) divided by the total number of distribution units

1 for all eligible retirants and retirement allowance beneficiaries
2 in receipt of retirement allowances at the end of the fiscal
3 year. The distribution amount for an individual retirant or
4 retirement allowance beneficiary of a retirant or member who
5 contributed to the member investment plan is zero.

6 (6) Each retirement allowance that was effective on or before
7 January 1, 1987 shall be increased effective on the later of
8 January 1, 1986 or the retirement allowance effective date. The
9 amount of the increase shall be 8% of the retirement allowance
10 that would be payable as of the date of the increase without
11 application of this subsection, except that if the retirement
12 allowance is being paid under section 85(2), the increase shall
13 be based on the retirement allowance that would have been paid
14 under the payment option selected by the member under section
15 85(1).

16 (7) Until and including October 1, 1989, each retirement
17 allowance that was effective on or before January 1, 1987 shall
18 be increased each October 1 beginning with the later of
19 October 1, 1986 or the first October 1 following the retirement
20 allowance effective date. The amount of the annual increase
21 shall be equal to 40.5% of the increase computed in subsection
22 (6).

23 (8) After the end of each state fiscal year, the cumulative
24 increase amount shall be computed for each retirant or retirement
25 allowance beneficiary affected by subsections (6), (7), and
26 (11). The cumulative increase amount shall be equal to the
27 difference between the total retirement allowance paid during the

1 state fiscal year and the retirement allowance that would have
 2 been payable without application of subsections (6), (7), and
 3 (11). The cumulative increase amount for any retirant or
 4 retirement allowance beneficiary whose effective date of
 5 retirement is after January 1, 1987 is zero.

6 (9) In March of each year, beginning in March, 1986, each
 7 retirant or retirement allowance beneficiary shall be paid, in a
 8 single supplemental payment, the excess, if any, of the
 9 distribution amount over the cumulative increase amount for the
 10 previous state fiscal year. If a retirant dies before receipt of
 11 a supplemental payment, the supplemental payment shall be made to
 12 the retirant's retirement allowance beneficiary, if any. If both
 13 the retirant and the retirement allowance beneficiary die before
 14 receipt of a supplemental payment, no payment shall be made.

15 (10) Each retirement allowance that was effective before
 16 October 1, 1981 shall be increased effective January 1, 1990.
 17 The amount of the increase shall be a percentage of the
 18 retirement allowance that is payable as of January 1, 1990
 19 without application of this subsection, except that if the
 20 retirement allowance is being paid under section 85(2), the
 21 increase shall be based on the retirement allowance that would
 22 have been paid under the payment option selected under section
 23 85(1). The percentage is as follows:

24	<u>Effective date of retirement</u>	<u>Percentage</u>
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1	October 1, 1980 to September 30, 1981	1%
2	October 1, 1979 to September 30, 1980	2%
3	October 1, 1978 to September 30, 1979	3%
4	October 1, 1977 to September 30, 1978	4%
5	October 1, 1976 to September 30, 1977	5%
6	October 1, 1975 to September 30, 1976	6%
7	October 1, 1974 to September 30, 1975	7%
8	October 1, 1973 to September 30, 1974	8%
9	October 1, 1972 to September 30, 1973	9%
10	October 1, 1971 to September 30, 1972	10%
11	October 1, 1970 to September 30, 1971	11%
12	October 1, 1969 to September 30, 1970	12%
13	October 1, 1968 to September 30, 1969	13%
14	October 1, 1967 to September 30, 1968	14%

1	October 1, 1966 to September 30, 1967	15%
2	October 1, 1965 to September 30, 1966	16%
3	October 1, 1964 to September 30, 1965	17%
4	October 1, 1963 to September 30, 1964	18%
5	October 1, 1962 to September 30, 1963	19%
6	October 1, 1961 to September 30, 1962	20%
7	October 1, 1960 to September 30, 1961	21%
8	Before October 1, 1960	22%

9 (11) Each retirement allowance that was effective on or
10 before January 1, 1987 shall be increased each October 1
11 beginning October 1, 1990. The amount of the annual increase
12 shall be equal to 3% of the retirement allowance that would be
13 payable without application of this subsection, except that if
14 the retirement allowance is being paid under section 85(2), the
15 increase shall be based on the retirement allowance that would
16 have been paid under the payment option selected under section
17 85(1).

18 **(12) Beginning January 1, 2005, the monthly retirement**
19 **allowance payable to a retirant or retirement allowance**
20 **beneficiary whose retirement allowance effective date was before**
21 **October 1, 1986 is supplemented as follows:**

	<u>Effective date of retirement</u>	<u>Percent of</u>
		<u>increase</u>
1		
2		
3	October 1, 1985 to September 30, 1986	4
4	October 1, 1984 to September 30, 1985	6
5	October 1, 1983 to September 30, 1984	8
6	October 1, 1982 to September 30, 1983	10
7	October 1, 1981 to September 30, 1982	12
8	October 1, 1980 to September 30, 1981	14
9	October 1, 1979 to September 30, 1980	16
10	October 1, 1978 to September 30, 1979	18
11	October 1, 1977 to September 30, 1978	20
12	October 1, 1976 to September 30, 1977	22
13	October 1, 1975 to September 30, 1976	24
14	October 1, 1974 to September 30, 1975	26

1	October 1, 1973 to September 30, 1974	28
2	Before October 1, 1973	30
3	(13) The recalculated retirement allowance in subsection (12)	
4	shall be based upon the retirement allowance the retirant or the	
5	retirement allowance beneficiary is entitled to receive as of	
6	September 30, 2004 and shall be the basis on which future	
7	adjustments to the allowance are calculated.	